



# Missouri Department of Natural Resources

## MINUTES MISSOURI SOIL AND WATER DISTRICTS COMMISSION TELEPHONE CONFERENCE CALL Lewis and Clark State Office Building Jefferson City, Missouri March 20, 2006

***COMMISSION MEMBERS PRESENT VIA TELEPHONE:*** John Aylward, Kathryn Braden, Elizabeth Brown, Richard Fordyce, Baughn Merideth,

***EX-OFFICIO MEMBERS PRESENT VIA TELEPHONE:*** DEAN THOMAS PAYNE, UNIV. OF MISSOURI: David Baker, JOHN HOSKINS, DEPT. OF CONSERVATION: Brad McCord

***EX-OFFICIO MEMBERS PRESENT:*** DOYLE CHILDERS, DEPT OF NATURAL RESOURCES: Mike Wells

***ADVISORY MEMBERS PRESENT VIA TELEPHONE:*** NRCS: Roger Hansen; MASWCD: Steve Oetting

***ADVISORY MEMBERS PRESENT:*** SOIL & WATER CONSERVATION PROGRAM: Sarah Fast

***STAFF MEMBERS PRESENT*** Davin Althoff, Gary Baclesse, Jim Boschert, Allan Clarke, Noland Farmer, Joyce Luebbering, Dean Martin, Theresa Mueller, James Plassmeyer, Kevin Scherr, Ken Struempf, Cody Tebbenkamp, Chris Wieberg, Bill Wilson

**STATE OF MISSOURI VIA TELEPHONE:** SENATOR: John Cauthorn; ATTORNEY GENERAL'S OFFICE: Tim Duggan

### **A. CALL TO ORDER**

Chairman Elizabeth Brown called the meeting to order by telephone at the Lewis and Clark State Office Building in Jefferson City, Missouri, in the Manitou Bluffs Room at 8:05 am.

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### **B. COMMENTS ON THE COMMISSION'S CANCELLED CHECK POLICY**

Ron Redden presented a summary of the history of the commission's cancelled check policy and what the policy required.

In July 2004, the policy was adopted as a result of the recommendation of the State Audit in 2003. The 2003 audit requested landowners to submit cancelled checks to support their invoice. Of the 24 requests made by the auditor, 15 landowners responded, with one presenting a cancelled check for \$469 less than the landowner's invoice indicated he had paid and a second landowner's paid invoice showed an expense incurred in excess of \$11,400 when in fact no money had been transacted. It was decided that rather than require landowners to document all purchases with cancelled checks, the commission chose to limit the policy to only invoices that totaled more than \$500.

Mr. Redden pointed out that 15 district boards had already adopted their own policy requiring cancelled checks prior to the adoption of the policy. He indicated that one of the 15 districts had been doing so since 1989. Most of the 15 districts indicated that one of the primary reasons for implementing their own policy was because they felt it was the best measure available to prevent contractors from agreeing to do the work for the 75 percent cost-share amount and billing the landowner for more and not require that it be paid in full.

Mr. Redden stated that he had talked with the Missouri Land Improvement Contractors Association and they liked the policy because it helped to insure a timely payment to the contractors. He stated that in order to make the landowners and contractors aware of the policy, the commission chose to make it effective beginning with applications approved by the boards after January 1, 2005. He also stated that memorandums were sent to the districts and guidance was included in the cost-share handbook as to what would be considered acceptable. Some of the types of documentation that was acceptable were cashiers checks, money orders, on-line picture images of cashed checks, credit card receipts, bank statement, confirmation of credit from a bank or lending institution, and credit financed through such scenarios as the Farm Plan. He pointed out that staff had tried to accommodate as many different forms of payment documentation as possible, while meeting the audit standards and the commission's original intent of maintaining accountability.

Senator John Cauthorn stated he was sure the process cannot still be averted even though we have a cancelled check policy. He also thought the most important thing was the work being done. The office in his district complained about landowners having to make extra trips to town, producers being irritated, and the district office did not think they should be the watchdogs. He did not know why there could not be a small checklist system that actually enforced the program through the commission and the people that

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did not have their receipts and the check would be out of the program for awhile. He indicated that he had been working on an issue for his dad and he felt it was burdensome. He also indicated that he had made a commitment to himself and his offices that they would talk about this when the program's budget came up. He stated he understood why the commission adopted the policy, but he thought it was just paperwork on top of paperwork. The contractors have the responsibility to be paid and get the receipt right.

Kathryn Braden stated that she was not on the commission when the decision was made to require cancelled checks. She stated that when she was the MASWCD Area 6 Director, 12-14 counties in her area complained about the issue. She indicated that she checked with three CPAs when the issue came up for discussion. What she found out was that the IRS only required a computer generated or hand written ticket if signed and dated by the seller. She said her bank charges a monthly fee to return checks. She stated her thought was that fraud could happen with or without a cancelled check. Richard Fordyce stated he had requested the issue to be brought up at a commission meeting prior to the annual meeting because it was a concern in some of the districts in the north. He stated he also was not on the commission when the decision was made. He indicated that estimated costs are used to put practices on the ground and there are established costs for the practice. He also said that, if there is an estimated cost for the practice and a landowner barter, the contractor is paid, but not in a way that would produce a cancelled check. He stated that if there was a system to where a practice was designed, and then built and there was a wide variance of cost, to him that would be a system filled with fraud, but not with a system of estimated cost. He stated that the process needed to be made as simple as possible while at the same time, it was the commission's charge to reduce soil erosion and improve water quality. He felt that if the landowners can get that done while following procedures, he did not believe a cancelled check was necessary. He reiterated that it was not the commission's responsibility to see that the contractor gets paid. He stated the commission represents the landowners and the process needs to be as simple as it can. Elizabeth Brown asked Senator Cauthorn how to respond to an auditor that has asked the commission three times for this type of policy. Senator Cauthorn answered that he did not see how it was the responsibility of the Auditor of the State of Missouri. He stated her responsibility would be to see that the practice was done to the commission's specifications and whether it was checked off on. He stated he did not understand the auditor's responsibility in dealing with the contractor/farmer relationship. Ms. Brown stated that there was some thought that perhaps contractors were doing the conservation practices for the amount of cost-share and in that case there would not be a proper accounting of the tax payers' money. Senator Cauthorn asked if that was done by averages. Ms. Brown answered yes. He reiterated that the policy was burdensome and unrealistic. Senator Cauthorn suggested that if the commission would want to spot check a landowner and their documentation was not accurate then go after that person, but putting the burden on everyone was unrealistic. John Aylward stated that he was on the

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commission when the policy was passed. He stated that he did not especially like it; however, after it was enacted he liked it. Mr. Aylward asked how much of a burden it was to get a check or receipt. He stated that his son had just gone through it and he thought that his son might have spent 15 minutes getting the information and he did not see that as a burden. He also stated that the policy was implemented for the contractor that was not too busy and would do the work for 75 percent or the amount of cost-share paid by the state. Therefore the landowner would not have anything invested in the practice. Mr. Aylward stated the program was not developed to have the state build terraces; but rather it was developed to help landowners build terraces. Ms. Braden stated that there were checklists in place and that fraud could happen with or without a cancelled check. Senator Cauthorn stated that the policy was put in place in the beginning to make sure that the contractors were paid, and he felt things were not as they should be. Ms. Brown stated that there were 15 districts that had been using this policy for years and had had no difficulty with it, so she felt that there was some validity to it; however the commission was always open to suggestions on improving its policies. Senator Cauthorn stated that he hoped that the commission would reconsider, because he had made a personal commitment to work on the issue and he was tired of getting comments in the offices.

Kathryn Braden made a motion that the commission rescind the cancelled check requirement and use the other available means. Richard Fordyce seconded the motion. A poll vote was taken. Richard Fordyce, Kathryn Braden, and Baughn Merideth voted in favor of the motion and John Aylward, and Elizabeth Brown voted against the motion. The motion passed.

Senator Cauthorn stated that he might call the auditor's office and see what they think their responsibility is. He did not understand why, if the state money was spent properly and the practice was done, the auditor was on the other side of the issue. Ms. Brown stated she thought the auditor was detecting some signs of fraud. Mr. Merideth stated he thought the auditor was more concerned about the spending of the state money than the contractor. Senator Cauthorn felt that if someone averted the process and was not honest they should be disqualified from using the practices. Mr. Merideth stated that if any kind of fraud was detected they should be disqualified permanently. Ms. Braden stated that the commission makes the policy and instructs DNR on how to carry it out, so the commission needs to think seriously about the policies that they make. Ms. Brown stated that fraud is sometimes hard to detect. Ms. Braden responded that was left up to NRCS and the local board of supervisors. She stated that when the landowners go through those two processes, maybe the board and NRCS needed to take their jobs more seriously. Senator Cauthorn said that it is hard to get to the bottom of a problem in the offices where there are so many different groups in charge of the operations. Ms. Brown stated the supervisors are supposed to be in charge of the soil and water board. Senator Cauthorn

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asked if federal employees were. Ms. Brown answered no; the supervisors that are elected by the local district are the ones in charge of their local soil and water conservation board.

Senator Cauthorn stated that, in Monroe County, there had not been an outside party taking minutes. Ms. Brown asked if they had an extension person and Senator Cauthorn answered that there was not one present. Dave Baker said that they were working on that issue, and it was just brought to their attention recently that the extension was not attending. Mr. Baker said that there were other issues in Monroe County and until they were cleared up the university would not have anyone attending. He said that the university was working with DNR staff to address the issue. Sarah Fast stated that since the policy was rescinded, a memo would need to be sent to the districts. Steve Oetting asked when the effective date would be. Ms. Fast answered that the memo would probably be dated March 21 or perhaps later in the week. Mr. Oetting stated that would need to be explained to the districts because many of the districts were winding down on their cost-share for the year. He asked if it would be when the cost-share claim was first applied for or when they were finished and sent off. Ms. Fast answered when they are finished, from the date of the memo anything received would not require the cancelled checks. Senator Cauthorn asked if the local board could make that decision. Ms. Fast answered yes.

### **C. ADJOURNMENT**

Kathryn Braden moved the meeting be adjourned. Baughn Merideth seconded the motion. Motion approved by consensus at 8:35 am

Respectfully submitted,

Sarah E. Fast, Director  
Soil and Water Conservation Program

Approved by:

Elizabeth Brown, Chairman  
Missouri Soil & Water Districts Commission

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